

Minimum Requirements for an Asset Management Program and Reserve Account in Order to Qualify for CWSRF Principal Forgiveness and Pre-Application Scoring

In 2014, the Department intends to provide financial incentives to encourage the development of asset management plans and the establishment of repair and replacement reserve accounts. Principal forgiveness would be offered for eligible costs to develop an asset management plan, including related studies, software, training, energy audits, or the use of consultants. Applicants that already have an existing asset management plan or an active asset management program would be offered principal forgiveness for any wastewater infrastructure design and construction loan that implements their existing asset management plan or continues the implementation of their existing asset management program. The amount of principal forgiveness would be determined once the Federal CWSRF Capitalization Grant is finalized. The following are the minimum requirements to qualify for these incentives.

Minimum Requirements for a CWSRF Principal Forgiveness-Eligible Asset Management Plan:

Asset Management is a systematic process of operating, maintaining, upgrading and disposing of assets cost-effectively while maintaining a level of service that is acceptable to the customers. Successful asset management depends on knowing about your system's assets and regularly communicating with management and customers about your system's needs.

An asset management plan shall be documented in writing. The asset management plan should be submitted to NHDES for review with the 2014 CWSRF pre-application. The asset management plan shall be completed, as specified below, before the first scheduled loan repayment. The cost to develop an asset management plan, including any related studies, software, training, energy audits, or the use of consultants, is an eligible expense under the CWSRF program. Costs associated with implementing the asset management plan and thereby developing an asset management program are also eligible expenses under the CWSRF program.

At a minimum a CWSRF asset management plan shall consist of the following:

1. **Inventory of Assets.** The plan shall include an inventory of all collection system and treatment facility assets. At a minimum this will include: type of asset, age, condition, service history, and projected useful life.
2. **Prioritization of assets.** The plan shall include a system to prioritize assets that considers, at a minimum: remaining useful life, importance of the asset to the protection of public health and/or water quality, importance of the asset to the operation of the system, redundancy or lack thereof for the asset.
3. **Development of a written asset management plan.** The plan shall include a prioritized inventory and a schedule for the rehabilitation and replacement of assets including an estimate of money needed each year for at least five years into the future. This includes development of a budget and calculating required reserves. The asset management plan and schedule should be

coordinated with the facility's overall master planning documents and any other applicable studies, audits (e.g., energy audit), and evaluations to take into account the "big picture" issues. Examples of such issues that could influence the priority of an asset and/or the schedule to replace or rehabilitate the asset include: future treatment capacity needs, current and future permit compliance, excessive inflow and infiltration, potential energy savings, operational inefficiency and shortfalls, safety concerns, and coordination with other scheduled utility and infrastructure maintenance.

4. **Implementation of the asset management plan.** Implementation shall include a good faith effort on the part of the loan recipient to implement the plan through timely and appropriate interactions with municipal or district management, ratepayers, regulatory officials, and sources of financial assistance. The loan recipient will need to select the tool(s) to be used to implement the asset management program.
5. **Annual review of the asset management program.** The program shall include provisions for review and updating of the plan at least annually. This review will serve as a status check to ensure progress on the asset management program is continuing. The annual update should include a summary of the progress made on implementation over the previous year.

Minimum Requirements for a Repair and Replacement Reserve Account:

2014 CWSRF principal forgiveness would be offered, as part of a regular wastewater infrastructure loan, to loan recipients if they agree to implement an asset management program in accordance with this Department guidance and agree to set aside a repair and replacement reserve account in the amount recommended in their asset management plan in item three above, or, as a minimum, two percent of their total yearly wastewater operation and maintenance budget each year for a minimum of five years. This account shall be used for the repair and replacement of equipment or infrastructure identified in the asset management plan. The reserve account shall not be used for purposes such as labor, energy costs, equipment not associated with wastewater infrastructure or to artificially keep user fees down. The loan recipients shall provide yearly budget reports showing funds in the reserve account for each year for the five years and, if funds were expended, what the funds were used for. These requirements shall be included in the loan agreements. Loan recipients that currently have an asset management program and a reserve account that meets the above requirements would receive principal forgiveness if they agree to continue the reserve account for a minimum of five more years. The principal forgiveness would be for eligible costs for development of a new asset management plan or implementation of a new asset management program. For continued implementation of an existing and active asset management program, principal forgiveness would also be offered. The amount of principal forgiveness would be determined once the Federal CWSRF Capitalization Grant is finalized.

Please note that CWSRF loan money or principal forgiveness may not be used to actually fund the reserve account.